

# Overview of the Manufacturing and Equipment (M&E) Exemption

**Senate Ways and Means**  
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# M&E Exemption Legislation

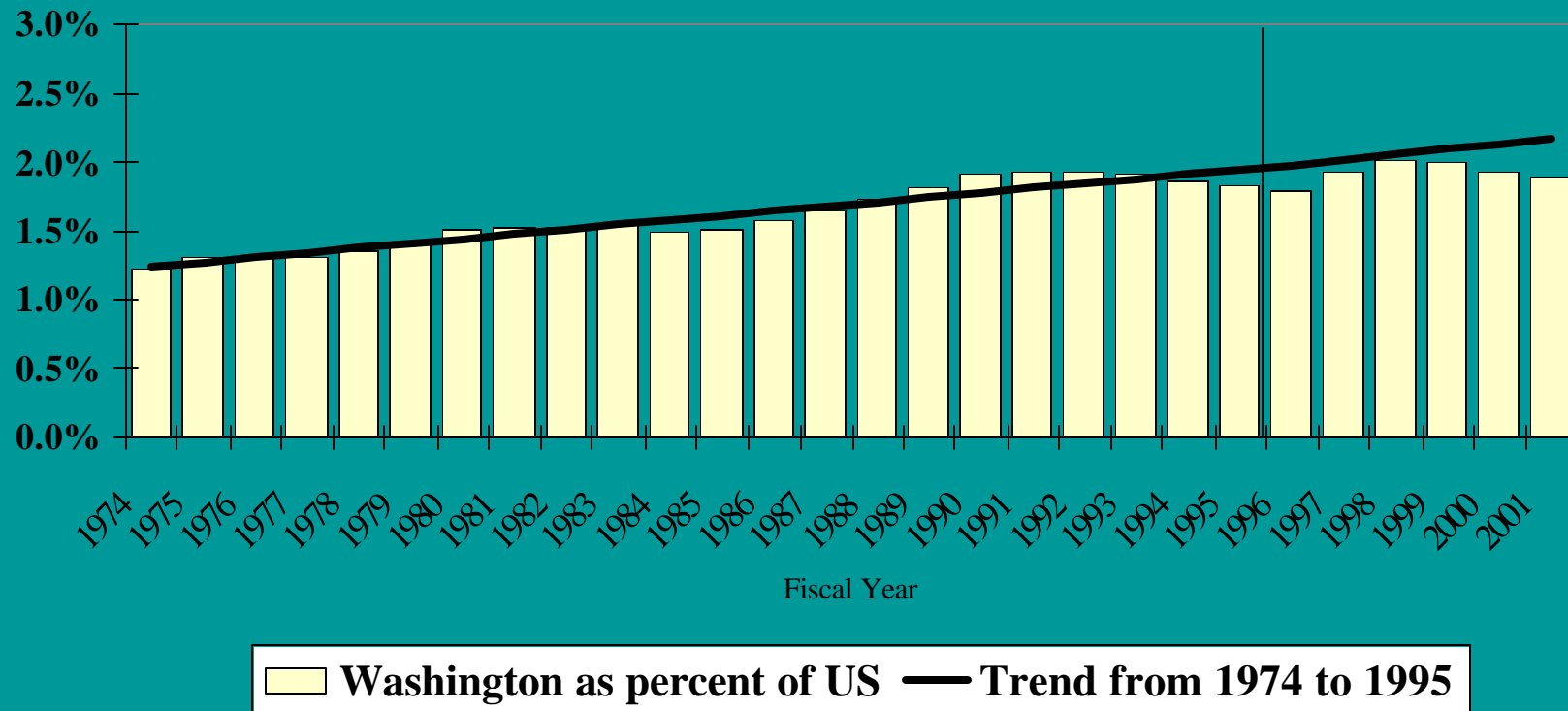
- ◆ Exemption was based on 1994 Manufacturing Tax Study Recommendations
- ◆ Manufacturing equipment and machinery exempted from sales and use tax (1995)
- ◆ Machinery and equipment used for R&D purposes, and repairs and replacement parts (1996)

# 1999 M&E Legislative Study Tasks

## Requirements of 1995 Legislation:

- ◆ Analyze employment & other relevant economic data
- ◆ Measure the effect on the creation/retention of family wage jobs & diversification of the state's economy

# Washington Manufacturing Employment compared to the U.S.



## Washington Manufacturing Employment as a Share of Total State Employment

- ♦ Washington's manufacturing employment has declined less than national level.
- ♦ Decline from FY 1974-FY 1998:
  - Washington: from 21% to 14%
  - National: from 26% to 15%

# Diversification of the State's Economy

- ◆ Manufacturing employment continues to be a declining share of the state's total employment.
- ◆ Some state industries and regions increased their share of manufacturing employment.
- ◆ The differences are small and new data may change these preliminary results.



The evidence neither proves nor disproves the effectiveness of the exemption.



Why is it so difficult to tell?

- WA manufacturing employment is volatile.
- The effect of the exemption may be more visible over the long term.
- The effect may not be strong enough to separate it from the normal variation in manufacturing employment.